



# Revenue and Budget Update

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Strategic Committee on Postsecondary Education

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# Revenue and Budget Update

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- Quarterly “888” Report (KRS 48.400)
- April Receipts
- Federal Fiscal Relief
- Impact of Federal Tax Cuts
- Rating Agency Visit



# Revenue Update

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- Quarterly “888” Report (KRS 48.400)
  - FY 03 \$81.7 Million Revenue Shortfall
  - Reductions Primarily in Sales and Income Taxes
  - No prediction on FY 04

# Selected U.S. and Kentucky Economic Indicators

	FY 2003	
	Jan 03 CFG	Apr 03 GOEA
❑ U.S. Real GDP	2.8%	2.7%
❑ Rate of Inflation	2.2%	2.2%
❑ Consumer Confidence	84.4	83.1
❑ Personal Income		
➤ U.S.	4.2%	3.5%
➤ Kentucky	4.3%	3.0%
❑ Nonagricultural Employment		
➤ U.S.	-0.1%	-0.3%
➤ Kentucky	1.0%	0.4%

***General Fund Forecast Comparison for  
FY03***

***January CFG vs. April Interim Estimate\****  
*(millions of dollars)*

	<b>Jan CFG</b>	<b>April Interim</b>	<b>Difference</b>
Sales Tax	2,401.5	2,380.6	-20.9
Individual Income Tax	2,836.6	2,763.9	-72.7
Corporation Inc. & Lic.	389.9	408.6	18.7
Coal Severance	143.7	137.8	-5.9
Property	433.8	434.8	1.0
Lottery	171.9	170.0	-1.9
Others	485.1	485.1	0.0
<b>TOTAL</b>	<b>\$6,862.5</b>	<b>\$6,780.8</b>	<b>-\$81.7</b>



# Revenue Update

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- April Receipts
  - .4% Decline Compared to April '02
  - 4.4% Growth Year to Date
  - Current Revenue Estimate Calls for 4.6% Growth
  - Sales and Individual Income Tax Declines
  - Consistent with Quarterly Report



# Budget Update

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- HB 269 Projected FY 03 Ending Balance of \$137 Million – Which is Budgeted in FY 04
- Variables Impacting Ending Balance
  - Actual Revenue Receipts
  - Unbudgeted Expenditures (NGE)
  - Lapses
  - Unanticipated Receipts



# Budget Update

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- Federal Fiscal Relief
  - Flexible Grant
    - \$68.7 Million in FFY 2003 (June or July, 2003)
    - \$68.7 Million in FFY 2004 ( by October, 2003)
  - Medicaid FMAP Increase
    - \$55.8 Million in FFY 2003
    - \$83.0 Million in FFY 2004





# Budget Update

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- Impact of Federal Tax Cuts
  - No immediate budgetary impact
- Rating Agency Visit
  - Standard & Poor's Confirmed "A+"
  - No Recent Actions By Moody's or Fitch



# What's Next?

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- Finish FY 03
  - Monitor Receipts
  - Manage Expenditures
  - Assess Ending Balance
- Focus on FY 04
  - Impact of Final FY 03 Receipts on FY 04
  - 2.6% Revenue Growth in Official Estimate



# What's Next?

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- August 15
  - Consensus Forecasting Group Planning Report (FY 04 – FY 08)
- September 8
  - SCOPE Meeting
- October 15
  - CFG Official Estimates (FY 04 – FY 06)
- January 2004
  - New Governor Introduces Executive Budget